

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6982

BILL NUMBER: HB 1250

NOTE PREPARED: Jan 8, 2006

BILL AMENDED:

SUBJECT: Alcohol beverage matters.

FIRST AUTHOR: Rep. Messer

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
FEDERAL

IMPACT: State

Summary of Legislation: This bill defines "grocery store" for purposes of the alcohol and tobacco law. The bill also allows the Alcohol and Tobacco Commission (Commission) to grant or transfer a beer dealer's permit for a beer dealer who held a permit before July 1, 2006, and does not qualify as a grocery store.

The bill requires a person to obtain an employee's permit from the Commission before the person may act as a sales clerk to ring up or otherwise record alcoholic beverage sales in drug stores or grocery stores. The bill also makes it unlawful for a purchaser or anyone else who is not a clerk to ring up alcoholic beverage sales in a package liquor, grocery, or drug store or for the store proprietor to allow that kind of activity.

The bill requires a beer, liquor, or wine dealer to sell alcoholic beverages in a designated area separated from the sale of nonalcoholic retail merchandise on the dealer's licensed premises. The bill prohibits a minor from entering a designated area without a parent or guardian who is at least 21 years of age. The bill also requires an employee, as part of the employee's job responsibilities, to ensure that minors do not enter the designated area without a parent or guardian.

This bill allows the Commission to grant one beer dealer's permit and one liquor dealer's permit in an incorporated city, town, or unincorporated town for each 4,500 persons. (Current law allows the Commission to grant one beer dealer's permit and one liquor dealer's permit for each 1,500 persons.) The bill also allows the Commission to renew or transfer a beer dealer's or liquor dealer's permit for a beer dealer or liquor dealer who held a permit before July 1, 2006, and does not qualify for a permit as a result of the quota requirement. The bill makes conforming changes.

Effective Date: July 1, 2006.

Explanation of State Expenditures: This bill could increase enforcement and administrative costs to the Alcohol and Tobacco Commission (ATC). The ATC would be forced to amend forms, and enforce the provisions of the bill related to sales clerk permits and grocery store area designations for alcoholic beverages. It is anticipated that the increase in costs could be offset by the fee revenue that would be collected by requiring all sales clerks at grocery stores and drug stores to obtain employee permits.

Explanation of State Revenues: *Definition of Grocery Store:* This bill defines the term "grocery store". While the Indiana Code currently does not define "grocery store" for alcoholic beverage purposes, it does contain provisions that make grocery stores specifically eligible to obtain a beer or wine dealer's permit. Based on information from the ATC, it is estimated that approximately 1,250 retailers in Indiana sell beer and wine under the authority of an ATC-issued grocery store permit.

Sales Clerks: The bill requires that a sales clerk in a drugstore and grocery store to obtain an employee permit from the ATC in order to ring up sales of alcohol. This provision of the bill will increase employee permit fee revenue to the Excise Police Retirement Fund and the ATC's Enforcement and Administration Fund. The increase in fee revenue is expected to be over \$100,000 in FY 2007, and \$100,000 every two years thereafter since employee permits are issued on a biennial basis. This estimate is based on the assumption that all grocery and drug store permit holders will have at least 2 sales clerks that obtain an employee permit. The ATC estimates that there are approximate 1,775 permit holders who are grocery or drug stores.

Alcohol Sales in Designated Areas: The bill requires a beer, liquor, or wine dealer to sell alcoholic beverages in a designated area separated from the sale of nonalcoholic retail merchandise on the dealer's licensed premises. The bill prohibits a minor from entering a designated area without a parent or guardian who is at least 21 years of age. The bill also requires an employee, as part of the employee's job responsibilities, to ensure that minors do not enter the designated area without a parent or guardian.

Beer & Liquor Dealer Permits in Cities and Towns: This bill allows the ATC to grant one beer dealer's permit and one liquor dealer's permit in an incorporated city, town, or unincorporated town for each 4,500 persons. Under current law the ATC may grant one beer dealer's permit and one liquor dealer's permit for each 1,500 persons. The ATC estimates that there have been 2,815 permits issued under this requirement.

The bill also allows the ATC to renew or transfer a beer dealer's or liquor dealer's permit for a beer dealer or liquor dealer who held a permit before July 1, 2006, and does not qualify for a permit as a result of the above quota requirement. Therefore, this change will not affect current permit holders, but could limit the number new permits that are issued in these areas. The fee for each of these permits is \$500, and the revenue is deposited 37% to the state General Fund, 33% to the general fund for cities and towns, and 30% to the ATC's Enforcement and Administration Fund.

Penalty Provision: If a person violates any of the provisions in this bill the person commits a Class B misdemeanor. If additional court cases occur and fines are collected, revenue to both the Common School Fund (from fines) and the state General Fund (from court fees) would increase. The maximum fine for a Class B misdemeanor is \$1,000. However, any additional revenue would likely be small.

Background: To the extent that any of the provisions of this bill affect alcoholic beverage sales, state revenues will be impacted. Sales changes will affect collections of both alcoholic beverage excise taxes and the Sales

Tax. The alcoholic beverage excise taxes are distributed in varying amounts to the following funds: state General Fund, the Post War Construction Fund , the ATC Enforcement and Administration Fund , the Addiction Services Fund , and the Wine Grape Market Development Fund. The state retains 50% of the General Fund distribution of beer and wine excise tax revenue. The remainder is distributed to cities and towns based on population. Sales Tax revenue is deposited in the: Property Tax Replacement Fund (50%), the state General Fund (49.192%), the Public Mass Transportation Fund (0.635%), the Commuter Rail Service Fund (0.14%), and the Industrial Rail Service Fund (0.033%).

Explanation of Local Expenditures: *Penalty Provision:* A Class B misdemeanor is punishable by up to 180 days in jail.

Explanation of Local Revenues: *Penalty Provision:* If additional court actions occur and a guilty verdict is entered, local governments would receive revenue from court fees. However, any change in revenue would likely be small.

State Agencies Affected: Alcohol and Tobacco Commission.

Local Agencies Affected: Trial courts, local law enforcement agencies.

Information Sources: ATC's *Statewide Licence Count*, August 9, 2005.

Fiscal Analyst: Adam Brown, 317-232-9854.